

FISCAL NOTE

SB 439 - HB 451

February 12, 2005

SUMMARY OF BILL: Exempts the retail sale of bread from state and local option sales tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$37,800,000

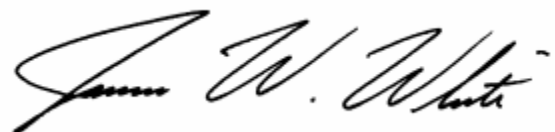
Decrease Local Govt. Revenues - \$14,850,000

Assumptions:

- Annual state sales tax revenue on food is approximately \$420 million.
- Annual local sales tax revenue on food is approximately \$165 million.
- The Bureau of Labor Statistics estimates that 9% of all household expenditures are from the purchase of bread and bakery products.
- Estimated decrease in state revenues is approximately \$37.8 million (\$420 million X 9% = \$37.8 million).
- Estimated decrease in local revenues is approximately \$14.85 million (\$165 million X 9% = \$14.85 million).
- The Streamlined Sales Tax Agreement, which is to become effective July 1, 2005, allows a state to levy a special tax rate on food as defined by the agreement. An exemption would technically qualify as a tax rate of 0%. This bill would change the tax rate on one article of food but leave the rest of food taxed at 6%. Such a change would take Tennessee out of compliance with the Streamlined Sales Tax Agreement.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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